fuel oil news

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1983 SOURCE BOOK

fuel oil news

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1983 SOURCE BOOK

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Cover:
The emergence of gasoline as an alternate or supplemental product line by the fuel oil industry is becoming more evident in this year's study. While equipment sales are also down, the overall mood of the industry is one of quiet anticipation. Cover photo by Jim Farnum.

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Diversification Up As Gallonage Drops

Annual Industry Study
Part I

Every October for the past five years we've been asking fuel oil dealers around the country to help us in our annual industry survey. Obligingly, they have completed complicated questionnaires that asked upwards of 200 questions about their businesses. For the hundreds of dealers who took the time and effort to help us this year we offer our thanks.

As the returns began coming in we noticed immediately that the average gallonage of No. 2 fuel oil was below previous years. The second discovery was that gasoline volume was up sharply. This is reflected both in Tables 1 and 2, as the percentage of dealers who sell gasoline rose to 61.8% this year, as opposed to just 43.3% who said they sold gasoline in 1981. Table 2 shows the average dealer's No. 2 oil volume at about 1.9 million gallons. Last year, this figure was 2.3 million. Conversely, in 1981 the average gasoline volume was 1.6 million gallons and in 1982 it is 2.2 million.

TABLE 1
Type of Petroleum Sold
(Percent of Readers)

	Fuel Oil	Gasoline
New England	98.8%	31.3%
Mid-Atlantic	97.3	44.0
South	100	80.0
Midwest	97.5	90.0
West	100	63.6
All Sections	*98.7%*	*61.8%*

We take this to indicate that dealers are replacing lost fuel oil volume (a result of conservation, mild weather and losses to other fuels) with gasoline, either at retail or bulk. The sectional percentages furthers this argument since New England, the South and West in Table 1 increased dramatically over 1981, while only the Mid-Atlantic saw a drop and the Midwest remained constant.

This year we also included residual gallonage in Table 2, which we had insufficient data on last year to make any meaningful projections. The average fuel oil dealer who sells resid has an annual volume of about 1.3 million gallons. Most of this is in the Eastern half of the country as the Midwest average is only one-quarter that of other areas, and the Western dealers didn't report resid sales in enough numbers to make proper calculations.

TABLE 2
Average Size of Business

	No. Residential Fuel Oil Accts	No. C/I Customers	Vol. Distillate	Vol. Residual	Vol. Gasoline	No. Employees
New England	1451	102	1,522,186 gal.	1,584,808	1,305,588 gal.	9.0
Mid-Atlantic	2127	290	2,710,867	1,689,230	2,376,069	14.2
South	1265	182	2,144,700	1,600,000	2,768,000	12.6
Midwest	641	109	1,337,161	359,714	1,592,091	8.6
West	2329	118	1,855,556	NR	2,966,667	6.7
All Sections	*1562*	*160*	*1,914,094*	*1,308,438*	*2,201,683*	*10.2*

TABLE 3
Sources of Business Income
(Percent of Total Business Income)

FUEL OIL

	Retail		Bulk	
	Primary	Secondary	Primary	Secondary
New England	97.5%	2.5%	5.0%	15.0%
Mid-Atlantic	80.0	2.7	16.0	12.0
South	68.0	24.0	32.0	28.0
Midwest	75.0	15.0	40.0	35.0
West	90.9	*	27.3	27.3
All Sections	*82.3%*	*8.8%*	*24.1%*	*23.5%*

GASOLINE

	Retail		Bulk	
	Primary	Secondary	Primary	Secondary
New England	13.8%	10.0	5.0%	10.0%
Mid-Atlantic	16.0	24.0	24.0	10.7
South	44.0	20.0	44.0	16.0
Midwest	57.5	20.0	52.5	25.0
West	27.3	18.2	27.3	18.2
All Sections	*31.7%*	*18.4%*	*30.6%*	*16.0%*

*Less than .1%

TABLE 4
Petroleum Products Sold
(Percent of Total Volume)

	No. 2	No. 1	No. 4	No. 5 & 6
New England	79.6%	4.7%	0.4%	1.1%
Mid-Atlantic	72.9	5.4	0.5	0.1
South	31.1	16.3	0.5	2.0
Midwest	32.8	7.1	*	*
West	56.7	3.3	2.7	*
All Sections	*54.6%*	*7.4%*	*0.8%*	*0.6%*
	No. 2 for Diesel	*Gasoline*	*LPG/LNG*	*Other*
New England	3.3%	7.1%	1.8%	2.0%
Mid-Atlantic	4.6	16.9	0.8	0.8
South	11.4	42.7	0.3	0.6
Midwest	12.3	44.3	2.6	1.8
West	7.9	27.3	*	2.3
All Sections	*7.9%*	*27.7%*	*1.1%*	*1.5%*

*Less than .1%

TABLE 5
Annual Heating Oil Sales by Types of Customers
(Percent of Total Customers Served)

	Private Homes	Apts.	Educ.	Hospitals	Commercial	Industrial
New England	83.4%	7.5%	0.3%	0.2%	6.4%	2.0%
Mid-Atlantic	80.8	7.1	1.1	0.2	8.3	2.6
South	58.6	3.3	2.0	1.9	17.0	6.6
Midwest	80.1	1.7	1.9	0.8	9.6	3.9
West	88.6	1.7	0.1	2.3	8.7	8.9
All Sections	*78.3%*	*4.3%*	*1.1%*	*1.1%*	*10.0%*	*4.8%*

*Less than .1%

TABLE 6
Average Drop in Gallons

	275 Gal. Tanks
New England	172.4
Mid-Atlantic	186.4
South	186.7
Midwest	192.4
West	171.3
All Sections	*181.8*
	550 Gal. Tanks
New England	404.6
Mid-Atlantic	356.0
South	358.9
Midwest	413.2
West	337.2
All Sections	*374.0*

Table 2 also shows the average number of residential fuel oil accounts. Nationally, the figure is about 130 less per dealer than last year—1562 in 1982 vs. 1696 in 1981.

New England and Mid-Atlantic dealers actually advanced in this department, partly due to the dwindling numbers of dealers in these areas (buyouts, mergers, etc.). The Midwest took a beating as dealers reported a significant loss of oil heat customers. The West was also down, but not nearly as badly as the Midwest. The number of commercial/industrial customers rose slightly, from 145 per dealer last year to 160 in 1982. Every section gained a little except for Midwest, which saw its average drop from 146 in 1981 to 109 this year.

Total number of employees took a dip in 1982, a reflection of the overall economic climate of late. In 1981, the average fuel oil dealer had 12.7 employees. This year, that figure dropped to 10.2. Perhaps it's a reflection of the overall efficiency requirement brought about by hard times.

Table 3 takes a bit of explaining. We asked dealers about their sources of business income and whether fuel oil and gasoline sales (both retail and bulk) were considered primary or secondary in their overall incomes. By far the category which drew the greatest attention was retail fuel oil sales, in which 82.3% of the dealers polled said it was a primary source of income. Only 8.8% said retail fuel oil sales were just secondary. Bulk sales was a primary revenue producer for about one-quarter of these dealers (24.1%), and secondary to another quarter (23.5%). Retail and bulk gasoline sales figures are shown in the table, and reflect a significant increase from last year. Bulk gasoline sales, for example, was a primary source of income to only 15.4% of the dealers in 1981. This year, more than 30% felt it was primary. Retail gasoline sales was primary to 31.7% this year; in 1981 only 22.4% felt this way. This fortifies our contention that dealers are using gasoline as a means of making up lost fuel oil gallonage.

Of total petroleum products sold, No. 2 still maintains a share of more than half, although, here again, gasoline and other petroleum products are gaining. Table 4 shows the details. No. 2 oil accounts for 54.6% of all petroleum product sales by our panel. Last year, it accounted for in excess of 66%. Gasoline accounts for some 27% in 1982; in 1981 it was only 14%. Section-by-section analysis shows that there were across-the-board decreases in fuel oil dominance and increases in gasoline shares. Despite the proliferation of kerosene heaters, estimated at some four million now in use, sales of No. 1 oil dropped as an overall percentage in 1982. In 1981, dealers said that No. 1 accounted for about 9.2% of sales. This year, it's only 7.4%. Evidently, someone other than the fuel oil dealer is selling kerosene for the portable heaters. Sales of Nos. 4, 5 & 6 were down a bit, while Lpg rose from 0.4% to 1.1%, and "other" rose to 1.5% from 0.2% in 1981. "Other" includes such things as lube oils, asphalt, petro-chemicals, fertilizer, etc.

Turning to Table 5, we see that private homes still dominate the fuel oil dealer's marketplace, accounting for 78.3% of sales. This is down slightly, however, because last year the figure was 82.7%. Commercial and industrial sales both rose a bit, which apparently makes up the difference. Last year, commercial establishments accounted for just 7.5% of sales and industrial for 2.9%.

Table 6 shows that the average drop to a 275 gallon tank is 181.8 gallons; the average drop to a 550 gallon tank is 374.0 gallons. Both of these are about 10 gallons above last year's averages, suggesting that dealers are tightening their automatic deliveries, and making better use of men and equipment.

We've added a new table this year, Table 7. Actually, we asked dealers last year if they traded in petroleum futures but only one or two said they did, so we did not bother to create a table. While 4.7% does not seem like a great deal, in

(please turn to page 45)

Computers Unchanged; Truck Fleets Down

Annual Industry Study
Part II

Half of the dealers surveyed currently use computers in one form or another in their operations. This was true last year as well. The actual figure fluctuated just .2% from 49.9% in 1981 to 50.1% this year. Fewer Midwestern dealers use computers—just 30%—than any other part of the country, with the Western fuel merchants leading the way with more than 63%.

Inhouse minicomputers are the most popular form of EDP equipment, with almost 60% of dealers who use computers opting for this form. This is a slight decrease from last year, from 61.2% and can be attributed to a variation in the sampling process.

It becomes apparent when attending the many trade shows every spring and fall that computers are not the hot items they were just a few years ago. Back in 1978 when we launched the *Source Book* and undertook our first survey, computer companies serving the industry abounded. Today that number is dwindled to a handful, with just two or three really concentrating on the market. As one representative told us at a fuel oil convention recently, "Everybody who is going to computerize already has, so it's just a question of who steals whose account." Well, that might be a bit of an exaggeration, but it's what he had in mind.

We disagree, because the industry attrition which has been evident over the past couple of years creates new markets for computers that would not otherwise exist. Specifically, as smaller firms merge or sell out to others, this creates larger dealers that need computers to operate efficiently. The former small operations could function more economically without them, but the consolidation creates a different scenario.

The other argument is in the fact that computer technology changes so quickly that what is considered state-of-the-art today could be hopelessly outdated next year, or next month! A dealer that is now using a batch or on-line system could presumably go to inhouse micro or mini as technology improves their price and capabilities.

TABLE A
Percent of Fuel Oil Dealers using Computer Services

		Percent of Those Who Use Computers			
	Using EDP	In-House Mini	In-House Micro	On-Line Time Sharing	Batch
New England	47.5%	68.4%	7.9%	18.4%	5.3%
Mid-Atlantic	53.3	50.0	10.0	20.0	20.0
South	56.0	71.4	7.1	7.1	7.1
Midwest	30.0	50.0	8.3	8.3	33.3
West	63.6	57.1	14.3	28.6	28.6
All Sections	*50.1%*	*59.4%*	*9.5%*	*16.5%*	*18.9%*

*Less than .1%

Trucks are possibly the most important piece of equipment to the fuel oil dealer. They can be the source of the greatest pride or largest pain, depending on how they perform on those impossible winter mornings. Like anything else, a little "TLC" can squeeze a lot of extra use out of a rig and avoid those downtime blues. The number of trucks per dealer went down from 5.4 in our last survey to 4.5 this year. The Mid-Atlantic is the only section that did not see a reduction in the average number of trucks per dealer. All other sections reported decreases. What this suggests is that dealers are not replacing the old units that are being phased out of service. The loss of gallonage means that fewer trucks are needed. If you take last year's 5.4 trucks per dealer and divide it into the average gallonage of 2.3 million, you get about 425,000 gallons per truck. Dividing 4.5 into 1.9 million gets you an answer of 422,222 gallons, which is pretty close to 425,000.

Tables B, C, D and E provide details on trucks and trailers. The average number of trailers went down .3% this year, but this isn't considered enough to raise any eyebrows. The average size of the largest rig in a dealer's fleet is 2749 gals., 12 gals. more than last year. The average size of the smallest is 1919 gals., just 34 gals. larger than the average last year. The optimum preferred went from 2600 last year to 2575 this year, or no change. Optimum preferred is rather a useless number nationwide since local laws dictate what size trucks are permitted on the road, so the sectional figures can be more meaningful to anyone interested in buying a truck but unsure about what size to get.

Fewer dealers have diesel-only fleets, but more are using both diesel and gasoline powered rigs. This obviously suggests that dealers are buying whatever is available, and since many more are dealing in gasoline as well as fuel oil, it makes sense to go with gasoline rigs. Preference followed use in that fewer dealers said they

TABLE B
Trucks Per Dealer

	Average No. Del. Trucks	Average No. Trailers	Average Size Largest	Average Size Smallest	Optimum Size Preferred
New England	3.5	1.0	3012	2206	2883
Mid-Atlantic	5.6	0.7	3118	2223	3035
South	4.7	1.2	2537	1739	2175
Midwest	3.3	1.9	2100	1625	2127
West	5.5	0.9	2978	1800	2657
All Sections	*4.5*	*1.1*	*2749*	*1919*	*2575*

Engines By Type

	Use			Prefer	
	Diesel	Gas	Both	Diesel	Gas
New England	15.0	40.0%	45.0%	65.0%	20.0%
Mid-Atlantic	17.3	28.0	54.7	70.7	20.0
South	20.0	52.0	28.0	56.0	40.0
Midwest	2.5	67.5	30.0	35.0	47.5
West	*	27.2	72.7	63.6	27.3
All Sections	*11.0*	*43.0%*	*46.0%*	*58.1%*	*31.0%*

*Less than .1%

TABLE C
Average Age Of Trucks

	Year Oldest	Year Newest
New England	1968	1978
Mid-Atlantic	1968	1978
South	1970	1978
Midwest	1971	1977
West	1971	1979
All Sections	*1970*	*1978*

Percent Buying This Year

	New Truck	New Tank Only
New England	17.5	8.8
Mid-Atlantic	30.7	8.0
South	32.0	12.0
Midwest	22.5	7.5
West	18.2	*
All Sections	*24.2*	*7.3*

*Less than .1%

TABLE D
Truck Tanks By Type

	Use			Prefer	
	Steel	Alum.	Both	Steel	Alum.
England	58.0%	2.0%	40.0%	31.3%	63.2%
Mid-Atlantic	49.3	20.0	30.7	29.3	58.7
South	64.0	12.0	24.0	32.0	44.0
Midwest	82.5	*	17.5	52.5	27.5
West	18.2	18.2	63.6	27.3	72.7
All Sections	*54.4%*	*10.4%*	*35.2%*	*34.5%*	*53.2%*

*Less than .1%

prefer diesel this year than last and more like gasoline better. There are pluses and minuses for both so it's hard to make any cast-in-bronze postulations.

In Tables D, there is evidence of a shift in tank type as well. Last year about 26% said they used both steel and aluminum tanks, and preference was almost evenly divided (46% for aluminum and 41% for steel). This year, more than 35% were both steel and aluminum and 53.2% favor aluminum. Cost and weight are probably the factors that influence these trends, although who knows?

Speaking of attrition of trucks, the oldest truck in dealer fleets averages 12 years, being a 1970 model. The newest rig is four years old—a 1978. The oldest rigs on the road seem to be in the New England and Mid-Atlantic regions. Perhaps it's because of the densely populated areas that require fewer miles between customers.

Almost one-quarter of the dealers who responded to our survey indicated that they planned on purchasing a new truck in 1983. This is double the number of dealers so indicating in our last study.

TABLE E
Percent Using Two-Way Radios

New England	47.5%
Mid-Atlantic	60.0
South	68.0
Midwest	35.0
West	72.7
All Sections	*56.6%*

Another 7.3% said they planned to put a new tank on an existing chassis. This was up 2% from 1981.

Slightly fewer dealers said they use two-way radios on their trucks than those who responded to the 1981 survey. This year, 56.6% use two-way radios as opposed to 60.4% who said they used them last year. This can correlate to the fewer trucks dealers are operating. Since the fleets are smaller, perhaps dealers don't need the communications that was necessary when there were more rigs on the road.

So there is no change in computer use and a drop in the number of trucks per dealer that reflects the reduction in gallonage. As we shall see in Part III, equipment sales have also been down.

Coastal Realigns Marketing Thrust

Coastal Corp. has realigned marketing responsibilities for two U.S. territories. Belcher New Jersey, Inc. has assumed responsibility for the wholesale, consumer and commercial marketing of light oil petroleum products from northern terminals along the Colonial Pipeline at Baltimore, Philadelphia, Newark and Bayonne, NJ. Coastal's customers were previously serviced by Coastal States Marketing Inc. of Houston, TX.

Belcher Oil Co., headquartered in Miami, has assumed responsibility for the wholesale, consumer and commercial marketing of light oil products from southern terminals along the Colonial Pipeline at Richmond and Mont Vale, VA; Charlotte and Greensboro, NC; Spartanburg, SC; Knoxville, TN; Meridian, MS; and Atlanta, GA. These customers were also previously serviced by Coastal States Marketing, Inc., which will continue to market light oil products in other areas.

Coming in January

Don't miss our annual New Products Review featuring the latest in oil heating equipment, energy savers, accessories, etc.

Gallonage Drops

(continued from page 36)

TABLE 7 Percent of dealers trading on the futures markets	
New England	6.3
Mid-Atlantic	6.0
South	4.0
Midwest	5.0
West	*
All Sections	4.7
*Less than .1%	

real numbers it means that more than 500 dealers now speculate in petroleum futures. This is a considerable increase over last year and demonstrates the fuel oil dealer's growing sophistication and business acumen in trying to stabilize costs in the volatile price market.

So gallonage is definitely down from last year, although in Part IV of the study it is suggested that losses to gas heat are no longer the disaster they were the past two years. Fewer dealers reported losing customers to gas heat and the average number of customers lost is also far below last year. Furthermore, fewer dealers considered natural gas a threat to their existence than did last year.

So why the decrease in fuel oil volume? Conservation is definitely a factor. The overall push to improve efficiencies and upgrade equipment is beginning to make its mark. Also, it is difficult to compare one year to another because of fluctuating weather factors. The winter of 1981-82 was considered milder than normal in many parts of the country, particulary in the Northeast where fuel oil has its strongest foothold.

SALES TRAINING—Oertli American/ABC Sunray Corp. recently began sales training courses for its dealers. Dale Carnegie and Associates was retained to conduct the seminars which were geared toward helping dealer salesmen achieve their maximum potential. Here, Nick Lisante of Dale Carnegie uses the participation technique to communicate with students at a typical lecture.

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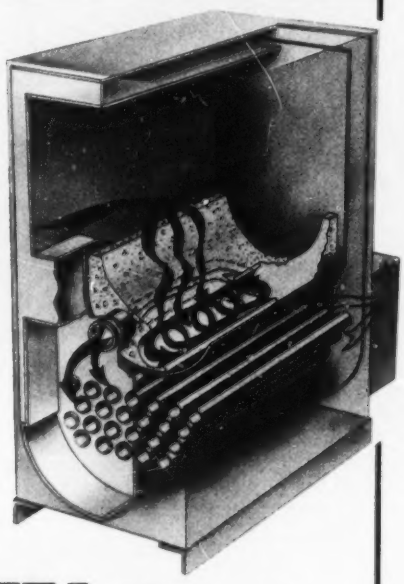

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Equipment Sales Taper Off

Annual Industry Survey
Part III

Just 54.5% of the dealers surveyed said they sell, install and/or service heating equipment. This is somewhat of a surprise considering that last year the figure was 70%, up from 65% in 1980. There were far fewer Midwestern and Southern dealers who said they handle equipment sales, installation and/or service. Just 15% of the Midwestern respondents said they do and only 24% of Southern dealers said they do. This is down from 45% and 60%, respectively, on the 1981 survey.

TABLE I
Percent of Fuel Oil Dealers That Sell, Install and/or Service All Types of Heating/Cooling Equipment

New England	88.8%
Mid-Atlantic	81.3
South	24.0
Midwest	15.0
West	63.6
All Sections	*54.5%*

According to Table II, those who do sell, install and/or service equipment said that residential business was either the same or down in more instances than did last year. Some 46.9% reported that business was the same as last year, and 21.3% said business was behind 1981. On our last survey, these figures were 33.4% and 18.6%, respectively. Business was better than last year for only 31.8% of the

TABLE II
Trends of Equipment Sales Past 12 Months (Percent Reporting)

Residential

	Up	Same	Down
New England	55.0%	35.0%	10.0%
Mid-Atlantic	38.7	40.0	21.3
South	0.1	99.9	*
Midwest	28.6	14.3	57.1
West	36.4	45.4	18.2
All Sections	*31.8%*	*46.9%*	*21.3%*

Commercial

	Up	Same	Down
New England	18.8%	64.9%	16.3%
Mid-Atlantic	21.3	73.4	5.3
South	0.1	99.8	0.1
Midwest	*	49.9	50.0
West	9.1	81.8	9.1
All Sections	*9.9%*	*74.0%*	*16.2%*

*Less than .1%

TABLE III
Sources of Business Income (Percent of Total Business Income) HEATING EQUIPMENT

	Retail		Wholesale	
	Primary	Secondary	Primary	Secondary
New England	43.8%	32.5%	1.3	7.5
Mid-Atlantic	33.3	41.3	*	12.0
South	8.0	0.4	*	4.0
Midwest	*	15.0	*	2.5
West	27.3	9.1	9.1	9.1
All Sections	*22.5%*	*19.7%*	*2.1%*	*7.0%*

A/C

	Primary	Secondary	Other
New England	2.5%	13.8%	13.8%
Mid-Atlantic	10.7	20.0	24.0
South	8.0	*	8.0
Midwest	*	2.5	25.0
West	27.3	*	27.3
All Sections	*9.7%*	*7.3%*	*19.6%*

*Less than .1%

TABLE IV
Percent of Fuel Oil Dealers That Sell, Install and Service Selected Heating/Cooling Equipment

Residential

	Oil Burners	Gas Burners	Domestic Hot Water	Boilers	Hydronic Systems
New England	87.5%	20.0%	77.5%	63.8%	50.0%
Mid-Atlantic	78.7	29.3	74.7	61.3	52.0
South	20.0	12.0	12.0	12.0	8.0
Midwest	17.5	2.5	12.5	7.5	2.5
West	81.8	18.2	45.5	45.5	18.2
All Sections	*57.1%*	*16.4%*	*44.4%*	*38.0%*	*26.1%*

Commercial/Industrial

	Oil Burners	Gas Burners	Domestic Hot Water	Boilers	Hydronic Systems
New England	58.8%	12.5%	37.5%	37.5%	30.0%
Mid-Atlantic	53.3	17.3	40.0	40.0	34.7
South	12.0	8.0	12.0	12.0	12.0
Midwest	10.0	2.5	5.0	5.0	*
West	54.5	9.1	27.3	36.4	18.2
All Sections	*37.7%*	*9.9%*	*24.4%*	*26.2%*	*19.0%*

*Less than .1%

dealers responding to our query. In 1981, 48% of the dealers said that business had improved over 1980.

On the Commercial side, nearly three-quarters said that business was about the same as last year. Fewer (16.2% vs. 27.7%) said that business was worse than the year before. Exactly the same amount said that business was better than last year, when compared to the 1981 study.

Nealry one-quarter of the dealers polled said that retail heating equipment represents a primary source of business income. The New England and Mid-Atlantic dealers led this response with 43.8% of the NE dealers saying retail heating equipment sales were primary, and 33.3% of the Mid-Atlantic dealers so responding. Virtually no one in the Mid-west felt that heating equipment sales amounted to anything more than a secondary source of income. Overaliy, just under 20% said that equipment sales were secondary. Very few also said that wholesale heating equipment sales contributed to business income, either primarily or secondarily. Air conditioning sales is considered a primary source of income to just 9.7% of the dealers and a secondary source to another 7.3%. Other sources of income are important to nearly 20% of the responding dealers. This runs the gamut of businesses too numerous to mention and can be anything from contracting, to delivering fertilzer or concrete to swimming pool sales, service and installation to a hundred others.

Tables IV, V and VI attempt to pinpoint exactly what types of heating equipment dealers sell, and residential oil burners obviously are most prevalent. Some 57.1% of all dealers sell, service and/or install oil burners, with New England and the West leading the way with 87.5% and 81.8%, respectively. The sale of gas burners is up somewhat, pegged at 16.4% this year as compared to 12.9% on the last tally.

On the commercial side, 37.1% of the dealers said they handle oil burners, which is down 10 points from last year. Commercial gas burners are handled by 9.9%, an increase of 1.5% from 1981.

The remaining categories show some fluctuation, basically on a general downward trend. Domestic hot water, boilers, hydronic systems, furnaces, warm air systems, central air conditioning, heat pumps and CAC all registered lower numbers than the previous survey, both on the residential and commercial sides. There are a few more dealers installing unitary air conditioning, electric resistance and solar than last year on the residential side, but these gains are insignificant.

Interestingly, however, the number of burners and boilers sold per dealer went up, as shown in Table VII. This could be because fewer dealers are selling equipment, so the ones that do are installing more units. The average dealer who handled equipment installed 82.7 residential oil burners during the past 12 months. This is up from 53.8 a year ago. The average dealer also installed around 18 boilers, ten more than last year. Furnaces were off from 21.0 last year to 15.3 in 1982. On the commercial side, dealers installed an average of 8.0 oil burners, almost double the 4.4 they installed last year. They also doubled their boiler installations, from 1.6 in 1981 to 3.3 this year. Furnaces went up too, from 1.2 to 3.0.

We've added another new table this year on service. Table VIII shows, among other things, the percentage of dealers that have their own service departments. This is 56.1% nationally, and is a lot higher in the New England, Mid-Atlantic and Western regions. The dealer who has a service department usually makes an average of 1,348 service calls in the

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P53-1

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TABLE V
Percent of Fuel Oil Dealers That Sell, Install and Service Selected Heating/Cooling Equipment

Residential

	Unitary A/C	Electric Resistance	Insulation	Solar
New England	8.8%	1.3%	11.3%	12.5%
Mid-Atlantic	17.3	6.7	9.3	14.7
South	8.0	8.0	*	4.0
Midwest	2.5	*	*	*
West	9.1	18.2	*	27.3
All Sections	*9.1%*	*6.8%*	*4.1%*	*11.7%*

Commercial

	Unitary A/C	Electric Resistance	Insulation	Solar	Refrigeration
New England	3.8%	*	6.3%	3.8%	1.3%
Mid-Atlantic	5.3	6.7	4.0	6.7	13.3
South	16.0	8.0	*	4.0	8.0
Midwest	*	*	*	*	8.0
West	*	*	*	*	*
All Sections	*5.0%*	*2.9%*	*2.1%*	*2.9%*	*4.5%*

*Less than .1%

TABLE VI
Percent of Fuel Oil Dealers That Sell, Install and Service Selected Heating/Cooling Equipment

Residential

	Furnaces	Warm Air Systems	Central Air Cond.	Heat Pump	Continuous Air Circulation
New England	83.8%	43.8%	17.5%	6.3%	2.5%
Mid-Atlantic	76.0	62.7	40.0	20.0	4.0
South	16.0	12.0	8.0	4.0	*
Midwest	15.0	7.5	2.5	*	*
West	81.8	45.5	18.2	27.3	*
All Sections	*54.5%*	*34.3%*	*17.2%*	*11.5%*	*1.3%*

Commercial

	Furnaces	Warm Air Systems	Central Air Cond.	Heat Pump
New England	45.0%	35.0%	13.8%	5.0%
Mid-Atlantic	41.3	21.3	28.0	12.0
South	12.0	16.0	12.0	4.0
Midwest	7.5	*	*	*
West	27.3	9.1	18.2	18.2
All Sections	*26.6%*	*16.3%*	*14.4%*	*7.8%*

*Less than .1%

TABLE VII
Average Number of Units Installed in Past 12 Months

Residential

	Burners	Boilers	Furnaces
New England	51.5	21.3	12.6
Mid-Atlantic	67.1	25.1	16.5
South	NR	NR	NR
Midwest	NR	NR	NR
West	129.5	8.3	37.1
All Sections	*82.7*	*18.2*	*15.3*

Commercial

	Burners	Boilers	Furnaces
New England	5.0	3.2	2.1
Mid-Atlantic	12.4	5.1	6.0
South	NR	NR	NR
Midwest	NR	NR	NR
West	6.5	1.5	1.0
All Sections	*8.0*	*3.3*	*3.0*

NR—Not Reported

Table VIII
The Service Department

	Have Service Depts.	Average No. Calls per Year	Value of Parts/Inventory	Service Dept. Profitable	No. of Technicians
New England	82.5%	1084	$18,606	54.5%	3.0
Mid-Atlantic	78.7	2894	26,851	45.8	4.5
South	24.0	775	59,000	50.0	1.8
Midwest	22.5	708	4,916	33.3	1.3
West	72.7	1278	29,500	62.5	2.8
All Sections	*56.1%*	*1348*	*$27,775*	*49.2%*	*2.7*

course of a year. He has 2.7 service technicians to make these calls, so the average service technician makes about 500 calls per year.

Almost half of the dealers with service departments say that it's a profitable operation. Inventory on parts is an average of $27,775.

Why is equipment sales down? That's a difficult question. There is the law of diminishing returns that comes into play. The two years prior were considered extremely good sales years for equipment as consumers struggled to improve the efficiency of the heating systems in the face of skyrocketing prices. Conservation was very fashionable and patriotic, but with the stabilization of prices and the seeming abundance of product, the conumer has become complacent once again. Those who needed system upgrading badly have done it. The others must be coaxed into it. As usual, the industry just isn't trying hard enough to sell new equipment to these hold-outs.

Dealer Coalition Calls For End of Recession

A call for the petroleum industry to take a leading role in moving the economy out of the current recession was issued recently by the Northeast Petroleum Marketers Action Project. The call was made at a meeting of the Marketing Committee of the American Petroleum Institute at the group's convention in Houston, Texas.

"The petroleum industry has a key role to play in moving the American economy out of the current recession," John Buckley, Vice President and Director of Northeast Petroleum Corporation and a principal in the Northeast Project, told the marketing vice presidents. Buckley pointed out that seven of the nation's ten largest corporations were petroleum companies and that petroleum was an integral part of every sector of the ailing economy. "If the petroleum industry fails to act to get the economy moving again, why should others?" he asked. "A policy of waiting for others will not work. It is a policy doomed to failure," he said.

As a follow up to the presentation, William F. Kenny, Jr., Chairman of the Board of Meenan Oil Company and also a principal in the Northeast Project, cautioned refiners that time was running out for them to act. "Why, despite the current bullish market on Wall Street, have petroleum stocks remained weak?" he asked. Kenny also noted that, if the industry failed to act soon to revive the economy, President Reagan's prestige and influence would continue to suffer, jeopardizing any chances of natural gas decontrol over the next two years.

A Time To Reassess, the title of the Northeast Project's presentation, also stressed the need for the petroleum industry to re-evaluate where it was headed. "Contraction in the name of efficiency may lead to short term gains but could jeopardize industry's long term financial stability," Buckley warned.

In addition to encouraging the petroleum industry to take up the challenge of reviving the ailing economy, the Northeast Project aims at creating model local promotional campaigns which can revitalize the petroleum industry's image and at the same time develop a strong and growing market for petroleum products.

The local campaigns would initially be limited to heating oil and would be carried out by heating oil associations in identified local markets. They would be financed by voluntary contributions related to supplier sales.

Buckley pointed out that, based on the results of several existing heating oil promotional campaigns, these local efforts can be extremely effective.

In answer to questions from refiners in the audience, Robert B. Greenes, President of Public Fuel Service and also a principal in the Northeast Project, explained that this country must stop looking at any promotion of petroleum as being unpatriotic. "It is patriotic to conserve energy and use the most efficient energy source available for a given job. In many instances this means using oil," he said. Greenes also pointed out that while this country clings to the outmoded idea that using oil is unpatriotic, other countries have aggressively—and successfully—competed for our travel dollars and business.

Greenes also stressed the desire of the project's sponsors to enlist the support of refiners in the promotional project. He urged refiner companies to send representatives to the first organizational meeting of the Project's Joint Industry Advisory Committee which would be held during the first half of December.

The Northeast Petroleum Marketers Action Project has been organized by a group of independent marketers in the northeast concerned with the recession and also the future of the petroleum industry. For more information about the Project, contact John Buckley at (202) 637-9060 or (617) 884-7570, William F. Kenny, Jr. at (212) 254-1111, or Robert B. Greenes at (212) 722-3000.

Copies of *A Time To Reassess* have also been mailed to the chief executive officers of the major suppliers in the northeast market and to security analysts on Wall Street who monitor the petroleum industry.

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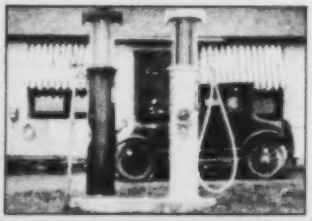

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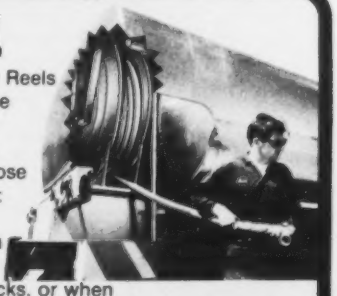

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Exodus to Gas Slows Significantly

Annual Industry Study
Part IV

Conversions to gas slowed significantly in 1982, according to our annual survey of oil heating dealers across the country. Nationwide, just 58% of the dealers surveyed said they lost customers to natural gas. This figure in 1981 was 75%. Of those dealers who lost customers, the average number was 39 this year, compared with 64.4 in 1981. Sectional totals in Table *a* show reductions everywhere except the West, which had a 21% gain in the number of dealers reporting losses to gas and twice as many customers lost per dealer as was the case in the 1981 study.

TABLE a
Percent of Dealers Losing Customers to Gas Heat

	Percent Losing Customers	Average No. Customers Lost
New England	53.8	7.0
Mid-Atlantic	85.3	32.7
South	24.0	41.0
Midwest	45.0	42.2
West	81.8	72.3
All Sections	*58.0*	*39.0*

Table b
Percent of dealers indicating gas conversions are a major threat to their business and what they're doing about it

	% Saying Gas is A Major Threat	% Taking Steps To Combat Gas
New England	21.3	50.0
Mid-Atlantic	42.7	54.7
South	24.0	16.0
Midwest	32.5	27.5
West	54.5	45.5
All Sections	*35.0*	*38.7*

Table c
Percent making conversions from oil TO gas

	% Making Gas Conversions	Average No. Conversions Made
New England	11.3	2.2
Mid-Atlantic	25.3	2.7
South	4.0	8.0
Midwest	2.5	6.0
West	27.3	19.7
All Sections	*14.1*	*7.7*

Table *b* solidifies the figures in Table *a* since the number of dealers who feel that gas is a major threat to their business has also dropped from last year. In 1981, almost 55% said that gas was a major threat, but this year that percentage has dropped to 35. By the same token, the percentage of dealers who are trying to do something to halt the spread of gas has also decreased, which may be a serious mistake on the part of the industry. Just because the competition is losing its glamor is no reason to let up! In any event, just 38.7% of our panel said that they were combatting gas. Last year, more than 46% said they were.

In Table *c* we asked those dealers who lost business to gas heat if they actually made the conversions themselves. 14.1% said they did, and made an average of 7.7 conversions each.

Once again we asked dealers if they recommended equipment by brand and how many customers followed their recommendations. We have felt that this was an important question for the suppliers in the industry. Some 45% said they made brand recommendations, which is down from more than 60% last year. (See Table *d*). Just why fewer dealers are making brand recommendations isn't known, but it may be because there are so many good brands out there and dealers are selling a variety of them. Be that as it may, over 85% of the customers followed the dealer's recommendation when a brand was suggested, so it behooves the supply industry to get its message across to dealers.

On-site energy audits seem to be dwindling. Very prevalent two years ago, only about 42% of the dealers said they provided this service last year and this year, only 27% said they did on-site energy audits. In the Midwest and South, it is almost non-existent. The details are in Table *e*.

Table *f* attempts to establish the most important factors for recommending new equipment by the dealer. Once gain,

Table d
Brand Name Specifications
(Percentage of dealers who recommend equipment replacements by brand)

	% Recommend Brand Name	% of Customers Following Recommendations
New England	68.8	94.5
Mid-Atlantic	66.7	97.8
South	16.0	87.5
Midwest	20.0	51.9
West	54.5	93.6
All Sections	*45.2*	*85.1*

Table e
Percent offering on-site home energy audits

New England	37.5
Mid-Atlantic	48.0
South	4.0
Midwest	*
West	45.5
All Sections	*27.0*

*Less than .1%

dealers most often recommend furnace or boiler replacement when the system is old and inefficient, despite the fact that it is operating without any problems. Furnaces and boilers which give continuous problems are the second most likely target for replacement, according to the statistics given us by our survey sample. Next are furnaces which emit fumes, followed closely by boilers that leak.

Getting back to dealer recommendations, Table *g* provides the important considerations which influence the dealer's brand selection. The most important seems to be quality of construction. This was second last year to combustion efficiency, but has passed that factor this year. The third most important factor, but not nearly as important as the first two, is low incidence of service requirements. Ease of service, which is closely allied to low incidence of service, is fourth. Note that low price and high markup opportunity again score low, discounting the notion that dealers are interested only in price.

Well, that's our survey for this year, except for the sales pitch. We sincerely wanted to know how well received *Fuel Oil News* is compared with other publications in the field so we asked our panel to rate the publication most helpful to them in operating their business. As can be seen in Table (1), we came out on top by a wide margin over all the other magazines and newsletters serving the oil heat marketer. It's gratifying and we hope to continue to do the best we can to provide the kind of editorial material that can assist the industry in maintaining its viability in the constantly competitive marketplace.

(Tables f,g and (1) are on page 56)

Weil-McLain Sponsors Energy Seminars

Weil-McLain recently sponsored a series of three one-day commercial boiler energy management seminars in Pennsauken, N.J.

The seminars, organized by Weil-McLain's Philadelphia area sales office, were attended by specifying engineers, heating contractors and building owners.

Nolan Dietz, Weil-McLain's manager of application engineering, covered boiler/burner design and selection; piping layouts; control selection; fuels and efficiency; and payback calculations. In addition, Roland Brown, vice president of Power Flame, conducted live firing demonstrations of Power Flame gas/oil burners.

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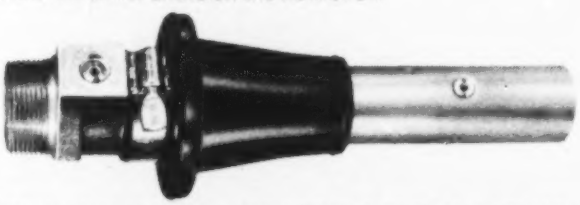

Available in sizes of 1-1/4" and 1-1/2" Whistle-Fill is built of heavy duty brass and neoprene for long life and dependability. The neoprene cone is replaceable and if damage should occur the entire unit can be serviced or rebuilt at minimum cost.

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Table f
Percent Recommending Furnace/Boiler Replacement Under Following Conditions

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Operating with no problems, but old & inefficient	62.5	66.7	100	50.0	54.5	66.7
Boiler leaks	72.5	70.7	25.0	75.0	36.4	55.9
Furnace emits fumes	53.8	52.0	50.0	75.0	54.5	57.1
Furnace/boiler breaks down	51.3	52.0	50.0	50.0	45.5	49.7
Furnace/boiler gives continuous problems	57.5	64.0	50.0	100	54.5	65.2
Furnace/boiler is inefficient (but not necessarily old)	51.3	44.0	50.0	33.3	27.3	41.2
Homeowner objects to heating bills	33.8	40.0	25.0	22.2	36.4	31.5
Homeowner threatens to convert to another fuel	26.3	34.7	25.0	33.3	36.4	31.1

Table g
Percent Indicating Major Factor in Brand Selection

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Combustion efficiency	72.5	88.1	25.0	83.3	85.7	70.9
Quality of construction	63.8	83.3	100	83.3	71.4	80.4
Ease of service	26.3	52.4	50.0	33.3	*	32.4
Low incidence of service requirements	21.3	40.5	75.0	50.0	28.6	43.1
Durability	8.8	19.0	*	66.6	*	18.9
Low retail price	10.0	9.5	*	16.7	*	7.2
Quietness	3.8	11.9	25.0	33.3	*	14.8
Long warranty	10.0	11.9	25.0	16.7	14.3	15.6
Compactness	2.5	16.7	*	16.7	14.3	10.0
High markup opportunity	1.3	7.1	*	16.7	*	5.0
Other	*	7.1	*	*	14.3	4.3

*Less than .1%

Table (1)
Industry Publication Most Helpful to Dealers In Operating Their Fuel Oil Business.

	New England	Mid-Atlantic	South	Midwest	West	All Sections
Fuel Oil News	81.3	82.7	64.0	77.5	81.8	77.5
Fueloil & Oil Heat	47.5	52.0	20.0	10.0	27.3	31.2
Nat'l. Petroleum News	12.5	20.0	32.0	22.5	27.3	22.9
Contractor	5.0	8.0	*	*	*	2.6
Snips	*	1.3	*	*	*	0.3
Pet. Mktg. Mgmt.	3.8	8.0	8.0	12.5	18.2	10.1
Oil Daily	6.3	4.0	4.0	5.0	*	3.9
Petroleum Equipment	8.8	6.7	12.0	12.5	9.1	9.8
Platt's Oilgram	3.8	2.7	8.0	*	*	2.9
Oil Week	8.8	12.0	48.0	32.5	18.2	23.9
The Lundberg Letter	5.0	2.7	4.0	5.0	9.1	5.2
Other	6.3	6.7	*	12.5	*	5.1

*Less than .1%

Anticipate 5% Growth In Industrial Eqpt.

The market for industrial heating equipment (furnaces, ovens and kilns) will grown an average 5% per year through 1991, according to a study by Frost & Sullivan, Inc. Total category sales are forecast to rise to $2.14 billion, in constant 1981 dollars, from the $1.25 billion level reached in 1981.

"U.S. Industry accounts for about 36% of the national energy consumption, with about one-third of this going into manufacturing, more than half of which is consumed by furnaces, filns and ovens," explains the firm's study, *Industrial Heating Equipment Market*. "This offers an unequalled opportunity for heating equipment manufacturers since more than half of the equipment operating today was installed more than 10 years ago when energy costs were about one-quarter of what they are today. One-third of the furnaces and heat treating equipment installations in this country are more than 20 years old, along with 17% of the ovens." The report adds that recent high interest rates have been the main deterrent to the replacement of many ovens, even with the new tax legislation which allows costs to be recovered over a shorter period.

Natural gas currently fuels about half of the heating units used by industry, the study says. Electricity is used by 18%, coal and oil each account for about 10% and the remainder are fired by wood waste or other products.

Among the developments in the generation of heating equipment now being introduced to industry is the addition of a unit to preheat burner air. "Some users are demanding this feature on new equipment but very little retrofitting is being done although burners with self-contained preheaters are now available and would probably recover their cost in a very short time.

The study goes on to report that end-users of industrial equipment play a pivotal role in the adoption of new technologies to existing products because only 9% of all heating equipment sold is standard off-the-shelf equipment.